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ALCOSAN rates will rise through 2026

Summary: The Allegheny County Sanitary Authority (ALCOSAN) is the “exclusive agency for the collection, transportation, and treatment of wastewater” for 83 municipalities, providing full coverage to Pittsburgh and 63 other municipalities and partial coverage for 19 municipalities. In October, ALCOSAN’s board of directors approved a series of annual rate increases for the years 2022 through 2026.

We most recently wrote about ALCOSAN in 2019 (see *Policy Brief Vol. 19, No.35*). In that *Brief* we noted that “the Institute will monitor the actions taken by ALCOSAN under the consent decree as they relate to infrastructure and rates in the service area.”

At the time, ALCOSAN’s modified consent decree with the federal government over sewage overflows was moving toward approval. The decree was made official on May 14, 2020, when it was approved by the U.S. District Court for Western Pennsylvania. ALCOSAN has until the end of 2036 to carry out the components of its Clean Water Plan, most notably the construction of underground tunnels and an expansion of the treatment plant.

ALCOSAN’s operations were affected by the pandemic. Its 2020 audit notes that 69.6 billion gallons of wastewater was treated, which was less than the 76.3 billion gallons treated in 2019. It was the first year since 2012 where there was less than 70 billion gallons treated. Commercial consumption fell but that was offset by residential consumption during the time of the stay-at-home order and limited commercial activity, according to the audit.

Because ALCOSAN rates went up in 2020 due to a four-year rate increase schedule approved in 2017, operating revenues increased from \$180.2 million to \$186.9 million. Operating expenses likewise increased from \$82.1 million to \$84.3 million. The employee count at the end of 2020 was 425, down just two from the end of 2019. The total debt at the end of 2020 was \$767.2 million.

ALCOSAN customers pay a rate per 1,000 gallons consumed and a flat quarterly service charge. Commercial and industrial customers are subject to additional surcharges,

according to ALCOSAN’s website. Rates are set by a seven-member appointed board (three by the mayor of Pittsburgh and three by the Allegheny County executive, with approval by respective councils, and one jointly).

In 2021, the per-1,000 gallon charge was \$9.10 and the quarterly charge was \$19.11. On the basis of 12,000 gallons consumed in a three-month period, the average customer would pay \$128.31.

With the first step of the five-year increase approved by the board in October 2021—the first rates established after the approval of the consent decree—this year the charges rise to \$9.73 per 1,000 gallons and \$20.45 for the quarterly charge. That means the 12,000-gallon measurement would rise to \$137.21. In subsequent years there will be annual 7 percent increases to both components.

That’s quite close to what the authority projected in 2019—that “annual ALCOSAN rate increases ranging from 6 percent to 8 percent through the implementation of the [plan] may be necessary.” Since 2017, there has been a program for low-income customers to offset their wastewater bills.

In its 2022 budget, ALCOSAN is to collect \$202.9 million in total revenues; \$202.5 million is from the charges levied on customers and \$338,000 is from interest and other income. Operating expenses are budgeted at \$104.1 million and debt service at \$60.9 million to bring total expenses to \$165.0 million. There are \$205.4 million in capital expenses.

ALCOSAN’s Five-Year Rate Schedule

Year	Rate Per 1,000 Gallons	Quarterly Service Charge	Quarterly Bill (based on 12,000 Gallons)
2022	\$9.73	\$20.45	\$137.21
2023	\$10.41	\$21.88	\$146.80
2024	\$11.14	\$23.41	\$157.09
2025	\$11.91	\$25.04	\$167.96
2026	\$12.74	\$26.79	\$179.67

The impact from the five years of rate increases will compound other infrastructure-related fees. Most customers also pay municipal sewage rates in addition to ALCOSAN charges and these are also beginning to include separate storm water fees, including the one recently approved by the Public Utility Commission for Pittsburgh Water and Sewer Authority customers.

ALCOSAN’s rates are projected to have different impacts on member communities over the long-term based on household wastewater costs and median household income, which was discussed in the 2019 *Brief*.

An additional piece of data now available is the results of the 2020 U.S. Census. In terms of 2010 to 2020 population change in the municipalities served by ALCOSAN (78 within Allegheny County, five either partially in Allegheny County or a neighboring county), 46 had an increase in population while 37 had a decrease. The large population municipalities wholly within the service area had mixed results: Pittsburgh, Shaler and Wilkinsburg decreased, Mt. Lebanon, Ross and Monroeville grew.

As rates go up through the first part of this decade—and if service area population flattens or falls—then that concentrates the costs of the consent decree’s improvements on fewer ratepayers. As COVID’s impact on commercial enterprises continues to unfold—which could involve offices downsizing—that might also affect where the brunt of the rate increases’ impact is felt.

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